

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7140

BILL NUMBER: HB 1468

NOTE PREPARED: Feb 26, 2003

BILL AMENDED: Feb 25, 2003

SUBJECT: Indiana Business Purchasing Preferences.

FIRST AUTHOR: Rep. Mays

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill provides a 5% price preference to Indiana businesses for public works and procurement contracts awarded by the state. The bill provides that a purchasing preference does not apply to the detriment of a business from a state bordering Indiana, if the bordering state does not provide purchasing preferences to its businesses more favorable to preferences provided to Indiana businesses by Indiana law. It also provides that if a governmental body adopts a retaliatory purchasing preference, the preference may not apply to the detriment of the businesses of a bordering state if the bordering state does not provide purchasing preferences to its businesses more favorable to preferences provided to Indiana businesses by Indiana law. The bill provides that to be considered responsible, an offeror for a purchase by the state that is required to register with the Secretary of State must have registered not later than 45 days before the solicitation for the purchase is issued.

Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) This bill will increase the administrative cost of the Department of Administration and the Department of Commerce in so far as both agencies are required to develop criteria for determining whether a particular business is eligible for the price preference. It is presumed that both agencies could absorb this cost using existing staff and resources.

Contracting Costs: The bill establishes a 5% price preference on certain bids placed by qualified firms domiciled in Indiana for public works and procurement contracts. The proposal could increase the state's contracting costs for a product or service if the state receives a bid from an out-of-state firm that costs up to five percent less than the lowest bid offered by an Indiana firm. For example, if a firm from a non-neighboring state bids to supply the state with a product for \$100.00 and a qualified Indiana firm offers the

product for \$104.99, other things being equal, this bill would require a state agency to procure the item or service from the Indiana firm. The price preference would not apply to competing bids between Indiana firms and those in neighboring states, unless the neighboring state provides a preference to businesses based in the competing home state that are more favorable than those preferences which are provided by Indiana to Indiana businesses.

A specific fiscal analysis of the proposal is indeterminable as it will depend on the marketplace's response to the preference. Nonetheless, it is presumed that the bill will cause an increase in the state's contracting costs.

Background Information: The Department of Administration took a snapshot of the state's current contracts to determine the shares of contracts that go to out-of-state firms. Their analysis revealed the following:

Type of Purchase/ Contract	Percent Fulfilled by Out-of-State Firms
Public Works Contracts	5.8 %
Procurement Contracts	38.57 %
QPAs	15.11 %

Explanation of State Revenues: *Secondary Impact:* If the price preferences in the bill encourage more business activity to move from other states to Indiana or increases the amount of Indiana business activity, revenue from the state's corporate, income, and sales taxes would increase.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Administration; Department of Commerce.

Local Agencies Affected:

Information Sources: Dan Gettelfinger, Deputy Commissioner, Department of Administration, 234-1596.

Fiscal Analyst: John Parkey, 317-232-9854